



Testimony of

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Regarding

The Digital Television Transition

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Telecommunications and the Internet, Committee on
Energy and Commerce

On

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Chairman Markey, Ranking Member Stearns, Vice Chairman Doyle, and members of the Committee, I am grateful for the opportunity to testify before you representing Consumers Union (CU), the non-profit publisher of Consumer Reports magazine.¹ With over 8 million subscribers to our content in print and online, we are a consumer-supported, independent publisher that accepts no money from retailers or manufacturers.

In five months, due to a federal mandate, full power television stations will stop broadcasting in analog and begin broadcasting exclusively in digital (DTV transition). This matters a great deal to all consumers, but especially to those millions of “over the air only” households (at least 13.5 million according to a Consumer Electronics Association estimate), whose televisions won’t receive a signal on the conversion date unless they take action.

As we near the transition date, it is important to highlight some significant lessons we have already learned about the transition, especially from the Federal Communications Commission’s (FCC) recent DTV test in Wilmington, North Carolina. In particular, we are concerned about the government’s coupon program designed to help pay for converter boxes needed to make “over the air” televisions work once the digital transition occurs.

The Wilmington test showed us that more Americans “rely on” over-the-air television than previously imagined. Nielsen data indicate only 13,500 Wilmington households are over-the-air only, yet according to the Commerce Department, more than 32,000 coupons were requested from households who said they rely on over the air and requested coupons—20% to 35% higher than Nielsen’s number.²

Policymakers should be careful not to underestimate the number of citizens who rely on over-the-air television at the national level, as this could lead to inadequate funding of the program. Furthermore, at least as many cable and satellite households appear to be requesting coupons as over-the-air only, deepening the need for adequate funding.

We should anticipate a large spike in demand as we get closer to the transition date, and fund the program accordingly. As media impressions ramped up in the Wilmington market, there was a considerable increase in the demand for converter boxes, as well as for converter box coupons. In many cases, electronics retailers sold out of inventory and didn’t have enough converter boxes to meet demand.

If there is a substantial nationwide spike in demand close to the transition date, we believe the program will quickly be overcommitted and have to turn away consumers who need a coupon. We are pleased to note that the DTV coupon program has mailed more than 25 million

¹ Consumers Union is a nonprofit membership organization chartered in 1936 under the laws of the State of New York to provide consumers with information, education and counsel about goods, services, health, and personal finance. Consumers Union's income is solely derived from the sale of *Consumer Reports*, its other publications and from noncommercial contributions, grants and fees. In addition to reports on Consumers Union's own product testing, *Consumer Reports* regularly carries articles on health, product safety, marketplace economics and legislative, judicial and regulatory actions that affect consumer welfare. Consumers Union's publications carry no advertising and receive no commercial support.

² If each household requested 2 coupons, then that would be 16,215 households relying on over the air; if each household requested 1.78 coupons (the apparent national average based on Commerce Department data), that is a total of 18,219 households, 135% of Nielsen’s estimated 13,500.

converter box coupons (10 million redeemed). The high redemption rate of the coupon program is significant (Commerce Department statistics put this at 49%), but we are concerned that with the crescendo of advertising yet to reach its peak, the program will quickly find that more consumers want coupons than Commerce can *commit to* under the present budget. At some point before February, the coupon program will perhaps have to turn away (or delay sending coupons to) some number of citizens. We hope to be proved wrong, but believe policymakers should prepare for this contingency. Consumers were promised that the cost of the DTV transition wouldn't be on their dime. The federal government has an obligation to fulfill that promise.

We're also learning that **the least expensive converter boxes aren't always making it to electronics retailers' shelves.** When our magazine, *Consumer Reports*, tested 24 DTV converter boxes (available at www.consumerreports.org), we found little variance in picture quality and features. More importantly, we found that price is not necessarily an indication of quality or convenience, and advised consumers to buy the less expensive converters. But retailers aren't always stocking those less expensive options.

For example, Echostar announced a \$40 converter box and is selling that box direct to consumers on its Web site, but for some reason no electronics retailers are stocking it. In a country where more than 25 million or more homes are likely to buy converter boxes, why isn't the least expensive option widely available? We encourage the committee to investigate why consumers aren't finding these options and use its bully pulpit to ensure that consumers aren't falling prey to DTV profiteering.

We are also hearing complaints about cable providers taking channels out of basic tiers and moving them into the more expensive digital tier, under the cover of the DTV transition. This forces consumers to buy a more expensive package to get identical service—regardless of whether consumers have a digital or analog television in their home. Although the companies are positioning the changes as necessary to free up bandwidth, we believe that when consumers pay more for the same service, it's a rate hike. Households with multiple TVs must rent a digital cable box for every set. At up to \$10 per box per month, the rate increase isn't a minor increase, especially in light of our present economic circumstances. With the DTV transition already confusing consumers, the timing of the industry's rate hike is deceptive.

Another lesson from Wilmington is that "awareness" is good and on the rise, but it's the details that matter—consumers need help troubleshooting their new systems. When we last testified before this committee regarding the DTV transition, we noted our survey findings³ that three of every four consumers (74%) have major misconceptions about the DTV transition. Awareness is definitely improving, but the Wilmington test demonstrated that the most difficult aspects of the transition are the nitty gritty details. Citizens need to know more than just that the DTV transition is happening, they need help installing their new converter boxes, they may need help determining whether they need a new antenna and then

³ The Consumer Reports National Research Center conducted a telephone survey of a nationally representative probability sample of telephone households. 1,013 interviews were completed among adults aged 18+. Interviewing took place over Dec. 13-16, 2007.

need help installing it. While it's good that "awareness" is still improving, what matters most is on the ground help that people can use.

According to the Associated Press,⁴ **problems with consumers' antennae were the top problem in the Wilmington test.** Consumers Union has been hearing complaints from consumers around the country (who are attempting to make the transition early) that they are not receiving all the television stations in digital that they were receiving in analog. While this could be a result of many factors—some stations are not yet broadcasting in full power digital, some broadcasters are reducing their broadcast territory, and some consumers may have inferior antennae—nevertheless this remains a problem for many consumers.

The FCC needs to develop a coherent message to help consumers sort through antenna confusion. The agency should identify gaps in digital signals across the country and help citizens to both identify those gaps and plan ways to fix the problem, such as buying a new antenna, or repairing/repositioning the one they already have.

We are concerned that the aggressive outreach program in Wilmington may not be replicable nationwide. It was laudable that the government was able to put major resources into bi-weekly calls with broadcasters, buying billboards, meetings with community groups and putting agency staff in the field, but is that scalable to every media market in the country? It is our hope that the agency is prepared to do this nationwide as is needed.

Finally, I'll note quickly one other item that could help consumers with their television experience—passing the legislation proposed by Representatives Eshoo and Pickering (HR 6209, the CALM act), which requires the FCC to examine whether broadcasters are increasing volume levels during commercials, and take action to mitigate this problem. We have all likely noticed recently that our televisions sometimes shout at us during advertisements—whether this is to try to get greater emotional impact with commercials or simply to make sure viewers hear the ad when they go to other rooms during breaks, it is a true consumer annoyance and we support Rep. Eshoo's approach to the problem.

On February 17, 2009, the U.S. is going to make the jump to digital. At that time, either millions of Americans will have been educated about exactly what they need to do to minimize transition hiccups, or millions of Americans will wake up that morning and find their TVs don't work anymore. If we're going to avoid the latter scenario, I humbly submit to the Committee that we're going to have to get our act together, and fast.

Thank you Mr. Chairman once again for the opportunity to appear before your Committee.

⁴ John Dunbar, "Old Antennas Cause Complaints in Digital TV Test." Associated Press (September 10, 2008)